



## **Arkan Publishes Audited 2020 Financial Results**

### **Operational and financial restructuring completed to adapt to a challenging market environment**

**Abu Dhabi, United Arab Emirates, 11 March 2021:** Arkan Building Materials Co. PJSC (ADX: ARKAN) (“**Arkan**” or “**the Company**”), a leading construction and building materials company in the UAE, today announced its audited consolidated financial results for the fiscal year 2020 and the publication of its Annual Report.

Arkan's 2020 financial results were significantly impacted given the challenging market conditions, and the impact of the COVID-19 pandemic. Overall profitability declined, and the Company's liquidity position was hampered by working capital constraints, including slow customer cash collection and high inventory levels. Due to the aforementioned challenges, the Company has adopted significant measures to adjust to this new market reality.

Given the Company's significant debt levels, the Company mandated Rothschild & Co to undertake a financial restructuring of the Company's indebtedness. Following discussions with the Company's lenders, the Company has signed an agreement with its term loan lenders and has obtained a moratorium on principal loan repayments and certain covenants until mid-December 2022, which included the requirement to not pay dividends in the mentioned period. In light of these challenging circumstances, the Board has decided not to pay dividends for the foreseeable future. Furthermore, the priority of the Company going forward will be to lower its significant leverage levels and it may need to explore further capital structure options in the future.

As previously announced when the Company reported its preliminary results in mid-February 2021, Arkan reported revenue of AED 828.68 million in 2020, compared to AED 902.44 million for the financial year 2019. Revenue declined by 8.2%, which was mainly due to lower Cement sales volumes and lower selling prices across both the Cement and Blocks divisions.

Revenues were impacted by the slowing demand for cement products and highly competitive pricing environment for products. This was due to the reduction in the number of construction projects in the Emirate of Abu Dhabi, principally as a result of the COVID-19 pandemic. This challenging situation impacted the Cement and Blocks divisions most significantly; however, this was partly offset by more robust sales from Pipes, especially GRP, which contractors are increasingly using across projects.

Overall, the Company recorded a net loss of AED 66.54 million for the 2020 fiscal year, which included the impairments write-off amounting AED 28.82 million, taken against a non-core associate investment from the company's book entry for the year 2020. This compared to a net profit of AED 46.01 million in 2019, which benefitted from one off gains of AED 28.61



million, from the sale of scrap assets at the Emirates Cement Factory and proceeds from an insurance claim in the Cement Division.

Arkan mandated the specialist advisory firm, Alvarez and Marsal, to implement a cost rationalization programme in late 2020, right sizing its operations to the expected market environment and to reflect the introduction of new production technologies and process improvements. The programmes were designed to ensure that customer service, product quality and safety remain of the highest standard. This is expected to lead to AED 28 million of cost savings on an annualised basis, starting in the 2021 fiscal year.

**Eng. Jamal Salem Al Dhaheri, Chairman of Arkan** said: “2020 was an exceptionally challenging year for the industrial sector, as infrastructure programmes slowed, reducing the demand for building materials. Thanks to exceptional leadership from our Government, including the fast roll-out of the vaccination programme, there is light at the end of the tunnel. We have completed a further operational restructuring programme to right size the business for the current and expected market environment, which will help stabilise the business. These are challenging times for Arkan and going forward, the Board and Management of Arkan will primarily focus efforts on deleveraging the business. I would like to thank our lenders, shareholders and employees for their continued support.”

**Ends**

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**About Arkan**

Arkan Building Materials Co. PJSC (ADX: ARKAN), is a public joint stock company specialising in the manufacturing of building and construction products in the UAE. Arkan’s vision is to build a large integrated building products business that serves the local and regional construction industries. Arkan’s portfolio companies include the Al Ain Cement Factory, Emirates Blocks Factories, ANABEEB and Arkan Dry Mortar. Through Senaat, Arkan is part of ADQ, one of the region’s largest holding companies with a broad portfolio of major enterprises spanning key sectors of Abu Dhabi’s diversified economy.

For more information, please visit our website: [www.arkan.ae](http://www.arkan.ae).